

**BCLUW  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

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**BCLUW COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

(Before September, 2006 Election)

Scott Neff	President	2006
Mary Morris	Vice President	2008
Sharon Johnson		2008
Kristen Garber		2007
Dana LaMothe		2007
Heidi Strang		2007
Shane Tiernan		2006

(After September, 2006 Election)

Heidi Strang	President	2007
Shane Tiernan	Vice President	2009
Sharon Johnson		2008
Kristen Garber		2007
Dana LaMothe		2007
Mary Morris		2008
Doug Benjamin		2009

**SCHOOL OFFICIALS**

Mike Ashton	Superintendent
Paula Benson	District Secretary/ Treasurer

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report

#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

#### Plus:

- Over 25 years of Expertise and Experience
- Evenings & Saturdays Available
- Extended Hours During Tax Season

To the Board of Education of  
BCLUW Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of BCLUW Community School District, Conrad, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

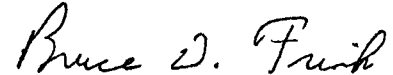
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of BCLUW Community School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 10, 2008 on our consideration of BCLUW Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BCLUW Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bruce D. Frink".

**BRUCE D. FRINK**  
**Certified Public Accountant**

January 10, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **BCLUW COMMUNITY SCHOOL DISTRICT**

BCLUW Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,928,927 in fiscal 2006 to \$5,354,293 in fiscal 2007 (a nine percent increase), while General Fund expenditures increased from \$5,108,272 in fiscal year 2006 to \$5,389,577 in fiscal 2007 (a six percent increase).
- The increase in General Fund revenues was due to moderate increases in all areas of funding. This was partially due to a slight increase in enrollment in 2006 that allowed us \$85,000 in new money. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits, utilities and fuel increases and special education costs.
- The District preformed a number of building and repair projects to its facilities in order to keep them in optimal condition.
- Installed a new HVAC system in our middle school in Union.
- Put new carpet in the high school auditorium.
- Added an additional elementary special education teacher due to the needs of several students.
- A 2008 - 65 passenger, conventional style bus was purchased from School Bus Sales.
- Received a 3-year Carol White PE grant with funding of \$157,976 for the first year. The grant is being shared with GMG Community School District.
- Received a \$3,500 DCAT grant that was used for a summer school program at the Middle School.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of BCLUW Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report BCLUW Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which BCLUW Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**BCLUW Community School District Annual Financial Report**

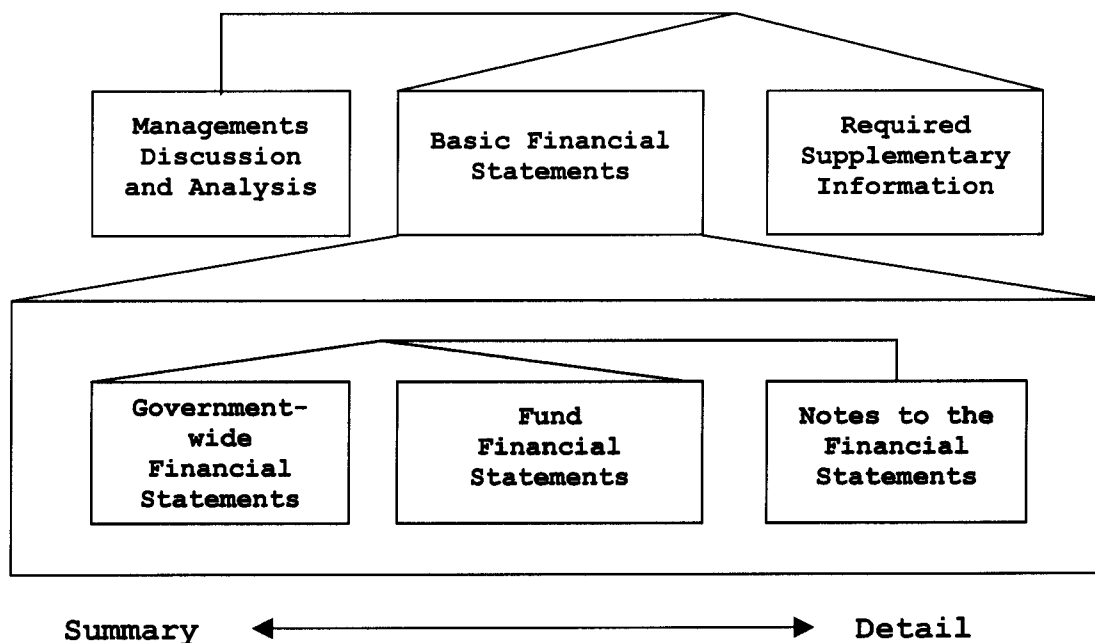


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>. Statement of net assets</li> <li>. Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>. Balance sheet</li> <li>. Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>. Statement of net assets</li> <li>. Statement of revenues, expenses and changes in fund net assets</li> <li>. Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Child Care Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses, changes in net assets and a Statement of cash flows.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	<b>Governmental Activities</b>		<b>Business type Activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2006-2007</b>
	\$	\$	\$	\$	\$	\$	
Current assets	4,684	4,787	37	41	4,721	4,828	-2.22%
Capital assets	5,946	6,044	20	21	5,966	6,065	-1.63%
<b>Total assets</b>	<u>10,630</u>	<u>10,831</u>	<u>57</u>	<u>62</u>	<u>10,687</u>	<u>10,893</u>	<u>-1.89%</u>
Current liabilities	3,112	2,984	-	-	3,112	2,984	4.29%
Non-current liabilities	3,527	3,727	-	-	3,527	3,727	-5.37%
<b>Total liabilities</b>	<u>6,639</u>	<u>6,711</u>	<u>-</u>	<u>-</u>	<u>6,639</u>	<u>6,711</u>	<u>-1.07%</u>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	2,456	2,319	20	21	2,476	2,340	5.81%
Restricted	364	560	-	-	364	560	-35.00%
Unrestricted	1,171	1,241	37	41	1,208	1,282	-5.77%
<b>Total net assets</b>	<u>3,991</u>	<u>4,120</u>	<u>57</u>	<u>62</u>	<u>4,048</u>	<u>4,182</u>	<u>-3.20%</u>

The District's combined net assets were 3% less at June 30, 2007 than June 30, 2006. The decrease occurred as a combined result of increased spending on capital projects including roof and track projects. The General Fund balance showed only a small decrease.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

**Figure A-4**  
**Change in Net Assets**  
**(Expressed in Thousands)**

	<b>Governmental</b>		<b>Business type</b>		<b>Total</b>		<b>Total</b>
	<b>Activities</b>		<b>Activities</b>		<b>School District</b>		<b>Change</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2006-2007</b>
	\$	\$	\$	\$	\$	\$	
Revenues:							
Program revenues:							
Charges for service and sales	352	285	203	190	555	475	16.84%
Operating grants, contributions and interest	971	963	112	107	1,083	1,070	1.21%
General revenues:							
Property tax	2,438	2,310	-	-	2,438	2,310	5.54%
Income surtax	271	344	-	-	271	344	-21.22%
Local option sales tax	363	334	-	-	363	334	8.68%
Unrestricted state grants	2,105	1,969	-	-	2,105	1,969	6.91%
Unrestricted investment earnings	54	49	-	-	54	49	10.20%
Other	91	33	-	-	91	33	175.76%
Total revenues	<u>6,645</u>	<u>6,287</u>	<u>315</u>	<u>297</u>	<u>6,960</u>	<u>6,584</u>	<u>5.71%</u>
Program expenses:							
Governmental activities:							
Instruction	3,824	3,570	-	-	3,824	3,570	7.11%
Support Services	1,726	1,715	-	-	1,726	1,715	0.64%
Non-instructional programs	23	7	320	304	343	311	10.29%
Other expenses	<u>1,201</u>	<u>982</u>	<u>-</u>	<u>-</u>	<u>1,201</u>	<u>982</u>	<u>22.30%</u>
Total expenses	<u>6,774</u>	<u>6,274</u>	<u>320</u>	<u>304</u>	<u>7,094</u>	<u>6,578</u>	<u>7.84%</u>
Change in net assets	<u>(129)</u>	<u>13</u>	<u>(5)</u>	<u>(7)</u>	<u>(134)</u>	<u>6</u>	<u>-2333.33%</u>

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 79% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$6,645,628 and expenses were \$6,877,857.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-2007	2007	2006	Change 2006-2007
	\$	\$		\$	\$	
Instruction	3,824	3,570	7.11%	2,712	2,539	6.81%
Support Services	1,726	1,715	0.64%	1,715	1,708	0.41%
Non-instructional programs	23	7	228.57%	23	7	228.57%
Other expenses	<u>1,201</u>	<u>982</u>	<u>22.30%</u>	<u>1,001</u>	<u>773</u>	<u>29.50%</u>
Totals	<u>6,774</u>	<u>6,274</u>	<u>7.97%</u>	<u>5,451</u>	<u>5,027</u>	<u>8.43%</u>

- The cost financed by users of the District's programs was \$352,005 (a 24% increase).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$477,848.
- The net cost of governmental activities was financed with \$2,438,592 in property tax, \$2,104,641 in state foundation aid, and \$54,091 in interest income.

## Business Type Activities

Revenues of the District's business type activities were \$314,966 and expenses were \$320,308. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2007, the District held meal prices steady. Cash balance in the Nutrition Fund increased slightly. The fund balance decreased primarily due to depreciation, a non-cash expense.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted BCLUW Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,991,081, a three percent decrease over last year's ending fund balances of \$4,119,729. This was primarily due to several large nonrecurring capital projects expenditures.

## Governmental Fund Highlights

- The General Fund decreased by about \$35,000 although total revenue increased as a result of increases in all categories.
- The District used PPEL Funds, Capital Projects, sales tax revenues and donations to complete a large number of building projects during the year.

## Proprietary Fund Highlights

The cash balance increased slightly during the year. Both revenues and expenses increased about 6% during the year. The fund balance decreased approximately \$5,000, primarily due to depreciation on equipment, a non-cash expense.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36.

### Legal Budgetary Highlights

The District's receipts were \$216,350 greater than budgeted receipts, a variance of 4% greater than anticipated primarily due to the receipt of the Carol White PE Grant of over \$100,000.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$5.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of less than 1% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$241,953.

The original cost of the District's capital assets was \$10,178,986. Governmental funds account for \$10,127,615, with the remainder of \$51,371 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6  
Capital Assets, Net of Depreciation  
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
	\$	\$	\$	\$	\$	\$	
Land	80	80	-	-	80	80	0.00%
Buildings	5,641	5,817	-	-	5,641	5,817	-3.03%
Furniture and equipment	225	147	20	21	245	168	45.83%
Totals	5,946	6,044	20	21	5,966	6,065	-1.63%

## Long-Term Debt

At June 30, 2007, the District had \$3,490,000 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 6% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Note 7 to the financial statements. Early retirement liability is all payable in the fiscal year ending June 30, 2008.

During the year ending June 30, 2006, the District refinanced its general obligation bonds. The original bonds had interest rates of 4.40% to 5.05%. The new bond issue has rates from 3.75% to 4.00%. Savings are estimated to be in excess of \$125,000.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(Expressed in Thousands)**

	<b>Total</b>		<b>Total</b>
	<b>District</b>		<b>Change</b>
	<b>June 30,</b>		<b>June 30,</b>
	<b>2007</b>	<b>2006</b>	<b>2006-2007</b>
	\$	\$	
General obligation bonds	3,495	3,725	-6.17%
Early retirement payable	<u>37</u>	<u>2</u>	<u>1750.00%</u>
Totals	<u>3,532</u>	<u>3,727</u>	<u>-5.23%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Renewed the Board approved five year Instructional Support Levy.
- A slight increase in our enrollment in 2005-06 allowed us to have approximately \$85,000 of new money in 2006-07 and District was not on budget guarantee for fiscal year 2007 for the first time in many years.
- We continue with professional development with staff to improve student achievement and have completed our fifth year of participation in the Lighthouse Study.
- The SILO tax that was passed will keep the District's facilities in good shape, will add technology needs, and will keep new and safe vehicles for our students.
- State portion of Instructional Support continues to decline. In fiscal year 2007 we lost approximately \$40,000.
- 2<sup>nd</sup> Chance Reading and other safety net programs have continued to work with those individual students who are not proficient in reading and math.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mike Ashton, Superintendent, BCLUW Community School District, 610 E Center St, PO Box 670, Conrad, IA 50621

## **Basic Financial Statements**

## BCLUW COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	1,717,311	29,804	1,747,115
Receivables:			
Property tax:			
Current year	32,814	-	32,814
Succeeding year	2,534,191	-	2,534,191
Income surtax - succeeding year	296,000	-	296,000
Due from other governments	53,028	-	53,028
Other receivables	50,988	-	50,988
Inventories	-	7,245	7,245
Capital assets, net of accumulated depreciation	5,946,297	20,163	5,966,460
<b>Total assets</b>	<u>10,630,629</u>	<u>57,212</u>	<u>10,687,841</u>
<b>Liabilities</b>			
Accounts payable	65,350	-	65,350
Salaries and benefits payable	499,200	-	499,200
Accrued interest payable	13,966	-	13,966
Deferred revenue:			
Succeeding year property tax	2,534,191	-	2,534,191
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	250,000	-	250,000
Early retirement payable	36,841	-	36,841
Portion due after one year:			
General obligation bonds payable	3,240,000	-	3,240,000
<b>Total liabilities</b>	<u>6,639,548</u>	<u>-</u>	<u>6,639,548</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,456,297	20,163	2,476,460
Restricted for:			
Management levy	84,474	-	84,474
Student activities	136,899	-	136,899
Physical plant and equipment levy	26,822	-	26,822
Public education and recreation levy	5,509	-	5,509
Debt service	30,515	-	30,515
Capital projects	79,273	-	79,273
Unrestricted	1,171,292	37,049	1,208,341
<b>Total net assets</b>	<u>3,991,081</u>	<u>57,212</u>	<u>4,048,293</u>

See notes to financial statements.



## BCLJW COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
	\$	\$	\$	\$	\$	\$
Instruction:	3,824,002	352,005	759,767	(2,712,230)	-	(2,712,230)
Support services:						
Student services	84,866	-	-	(84,866)	-	(84,866)
Instructional staff services	193,510	-	-	(193,510)	-	(193,510)
Administration services	683,912	-	-	(683,912)	-	(683,912)
Operation and maintenance of plant services	505,318	-	11,591	(493,727)	-	(493,727)
Transportation services	258,543	-	-	(258,543)	-	(258,543)
	1,726,149	-	11,591	(1,714,558)	-	(1,714,558)
Non-instructional programs:						
Food service operations	23,185	-	-	(23,185)	-	(23,185)
Other expenditures:						
AEA flowthrough	194,442	-	194,442	-	-	-
Long-term debt interest	177,174	-	4,134	(173,040)	-	(173,040)
Long-term debt services	1,100	-	-	(1,100)	-	(1,100)
Facilities acquisition and construction	590,390	-	1,322	(589,068)	-	(589,068)
Depreciation (unallocated)*	237,834	-	-	(237,834)	-	(237,834)
	1,200,940	-	199,898	(1,001,042)	-	(1,001,042)
Total governmental activities	6,774,276	352,005	971,256	(5,451,015)	-	(5,451,015)

**BCLJW COMMUNITY SCHOOL DISTRICT**

Statement of Activities

Year ended June 30, 2007

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses	\$	\$	\$	\$
Business type activities:				
Non-instructional programs:				
Food service operations	320,308	203,407	-	(5,342)
Total	<u>7,094,584</u>	<u>1,082,815</u>	<u>(5,451,015)</u>	<u>(5,456,357)</u>
General revenues:				
Property tax levied for:				
General purposes			1,809,504	-
Management fund			130,043	-
Debt service			61,496	-
Capital outlay			413,334	-
Public education and recreation			24,215	-
Income surtax			270,585	-
Local option sales tax			363,283	-
Unrestricted state grants			2,104,641	-
Unrestricted investment earnings			54,091	-
Other			91,175	-
Total general revenue			<u>5,322,367</u>	<u>-</u>
Change in net assets			(128,648)	(5,342)
Net assets beginning of year			<u>4,119,729</u>	<u>62,554</u>
Net assets end of year			<u>3,991,081</u>	<u>57,212</u>
			<u>4,182,283</u>	<u>4,048,293</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

**BCLUW COMMUNITY SCHOOL DISTRICT**Balance Sheet  
Governmental Funds

June 30, 2007

Assets					
General	Physical Plant And Equipment Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
\$	\$	\$	\$	\$	\$
1,347,305	27,895	38,992	79,731	223,388	1,717,311
Cash and pooled investments					
Receivables:					
Property tax:					
Current year	817	5,489	-	2,082	32,814
Succeeding year	61,311	417,888	-	174,342	2,534,191
Income surtax - succeeding year	-	-	-	-	296,000
Due from other governments	-	-	22,614	-	53,028
Other receivables	2,422	-	-	1,412	50,988
<b>Total assets</b>	<b>92,445</b>	<b>462,369</b>	<b>102,345</b>	<b>401,224</b>	<b>4,684,332</b>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	4,312	-	23,072	-	65,350
Salaries and benefits payable	-	-	-	-	499,200
Deferred revenue:					
Succeeding year property tax	61,311	417,888	-	174,342	2,534,191
Succeeding year income surtax	-	-	-	-	296,000
Total liabilities	65,623	417,888	23,072	174,342	3,394,741
Fund balances:					
Reserved for debt service	-	44,481		-	44,481
Reserved for capital projects	-	-	79,273	-	79,273
Unreserved	912,133	-	-	226,882	1,165,837
Total fund balances	912,133	44,481	79,273	226,882	1,289,591
<b>Total liabilities and fund balances</b>	<b>92,445</b>	<b>462,369</b>	<b>102,345</b>	<b>401,224</b>	<b>4,684,332</b>

See notes to financial statements.

## BCLUW COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2007

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 1,289,591
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Income surtax receivable at June 30, 2007 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	296,000
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,946,297
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(13,966)
Long-term liabilities, including bonds and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,526,841)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u>\$ 3,991,081</u>

See notes to financial statements.

## BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2007

	General	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources						
Local tax	2,080,089	61,496	413,334	363,283	154,258	3,072,460
Tuition	327,063	-	-	-	-	327,063
Other	170,210	721	4,134	1,322	292,787	469,174
State sources	2,560,037	-	-	-	-	2,560,037
Federal sources	216,894	-	-	-	-	216,894
Total revenues	5,354,293	62,217	417,468	364,605	447,045	6,645,628
Expenditures:						
Current:						
Instruction	3,469,635	-	-	-	319,706	3,789,341
Support services:						
Student services	84,866	-	-	-	-	84,866
Instructional staff services	193,510	-	-	-	-	193,510
Administration services	656,934	-	-	-	26,978	683,912
Operation and maintenance of plant services	456,874	-	-	-	48,444	505,318
Transportation services	315,959	-	-	-	22,115	338,074
	1,708,143	-	-	-	97,537	1,805,680
Non-instructional programs:						
Food service operations	-	-	-	-	5,828	5,828
Community service operations	17,357	-	-	-	-	17,357
	17,357	-	-	-	5,828	23,185

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2007

	General	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Expenditures (continued):						
Other expenditures:						
AEA flowthrough	194,442	-	-	-	-	194,442
Long-term debt:						
Principal	-	-	235,000	-	-	235,000
Interest	-	-	178,045	-	-	178,045
Services	-	-	1,100	-	-	1,100
Facilities acquisition and construction	-	81,976	-	569,088	-	651,064
	194,442	81,976	414,145	569,088	-	1,259,651
Total expenditures	5,389,577	81,976	414,145	569,088	423,071	6,877,857
Excess (deficiency) of revenues over (under) expenditures	(35,284)	(19,759)	3,323	(204,483)	23,974	(232,229)
Other financing sources (uses):						
Operating transfers in	-	-	-	50,000	-	50,000
Operating transfers out	-	(50,000)	-	-	-	(50,000)
	-	(50,000)	-	50,000	-	-
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(35,284)	(69,759)	3,323	(154,483)	23,974	(232,229)
Fund balances beginning of year	947,417	96,581	41,158	233,756	202,908	1,521,820
Fund balances end of year	912,133	26,822	44,481	79,273	226,882	1,289,591

See notes to financial statements.

## BCLUW COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2007

**Net change in fund balances - total governmental funds (Exhibit E)** \$ (232,229)

**Amounts reported for governmental activities in the  
statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlay	140,205	
Depreciation expense	<u>(237,834)</u>	(97,629)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

235,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

Early retirement		(34,661)
------------------	--	----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

871

**Change in net assets of governmental activities (Exhibit B)** \$ (128,648)

See notes to financial statements.

## BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund

Year ended June 30, 2007

	<u>School Nutrition</u>
	\$
Operating revenue:	
Local sources:	
Charges for services	<u>203,407</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	93,812
Benefits	14,433
Services	8,105
Supplies	199,839
Depreciation	<u>4,119</u>
Total operating expenses	<u>320,308</u>
Operating (loss)	<u>(116,901)</u>
Non-operating revenues:	
State sources	3,845
Federal sources	107,491
Interest income	<u>223</u>
	<u>111,559</u>
Net (loss)	(5,342)
Net assets beginning of year	<u>62,554</u>
Net assets end of year	<u><u>57,212</u></u>

See notes to financial statements.



## BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2007

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	203,407
Cash payments to employees for services	(108,245)
Cash payments to suppliers for goods or services	(190,595)
Net cash (used in) operating activities	<u>(95,433)</u>
Cash flows from non-capital financing activities:	
State grants received	3,845
Federal grants received	91,839
Net cash provided by non-capital financing activities	<u>95,684</u>
Cash flows from investing activities:	
Interest on investments	<u>223</u>
Net increase in cash and cash equivalents	474
Cash and cash equivalents beginning of year	<u>32,333</u>
Cash and cash equivalents end of year	<u><u>32,807</u></u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>	
Operating (loss)	(116,901)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	4,119
Commodities used	15,652
Decrease in inventory	1,697
	<u>(95,433)</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	<u><u>32,807</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2007, the District received federal commodities valued at \$15,652.

See notes to financial statements.

## BCLUW COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2007

#### (1) Summary of Significant Accounting Policies

BCLUW Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Beaman, Conrad, Liscomb, Union & Whitten, Iowa, and agricultural area in Hardin, Grundy and Marshall Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, BCLUW Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. BCLUW Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Grundy and Marshall County Assessor's Conference Boards.

##### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy is used to purchase equipment (over \$500 per item) and for major repairs and improvements to buildings and grounds. It is funded primarily through a combination of property tax and income surtax.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2007.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the non-instructional and other expenditures functions exceeded the amounts budgeted.

## **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2007.

### (3) Capital Assets

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>80,000</u>
Capital assets being depreciated:				
Buildings	9,010,196	-	-	9,010,196
Furniture and Equipment	<u>897,214</u>	<u>140,205</u>	<u>-</u>	<u>1,037,419</u>
Total capital assets being depreciated	<u>9,907,410</u>	<u>140,205</u>	<u>-</u>	<u>10,047,615</u>
Less accumulated depreciation for:				
Buildings	3,192,939	175,934	-	3,368,873
Furniture and Equipment	<u>750,545</u>	<u>61,900</u>	<u>-</u>	<u>812,445</u>
Total accumulated depreciation	<u>3,943,484</u>	<u>237,834</u>	<u>-</u>	<u>4,181,318</u>
Total capital assets being depreciated, net	<u>5,963,926</u>	<u>(97,629)</u>	<u>-</u>	<u>5,866,297</u>
Governmental activities, capital assets, net	<u>6,043,926</u>	<u>(97,629)</u>	<u>-</u>	<u>5,946,297</u>
<b>Business type activities:</b>				
Furniture and equipment	72,845	3,003	24,477	51,371
Less accumulated depreciation	<u>51,566</u>	<u>4,119</u>	<u>24,477</u>	<u>31,208</u>
Business type activities capital assets, net	<u>21,279</u>	<u>(1,116)</u>	<u>-</u>	<u>20,163</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				<u>237,834</u>
Business Type activities:				
Food service operations				<u>4,119</u>

### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$186,548, \$177,256, and \$170,724 respectively, equal to the required contributions for each year.

### (5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$194,442 for year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

**(6) Risk Management**

BCLUW Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Bond Defeasance**

During the year ending June 30, 2006, the District refinanced its outstanding general obligation bonds. Proceeds of the refinancing are currently invested and held by a trustee. They will be used in fiscal year 2008 to pay off \$3,215,000 of existing bonds that will be callable at that time. Total savings from the refinancing are estimated to be \$125,847. The total amount considered to be defeased at June 30, 2007, is \$250,000.

**(8) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	General Obligation Bonds
Balance beginning of year	\$3,725,000
Additions	-
Reductions	<u>235,000</u>
Balance end of year	<u>\$3,490,000</u>

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate %</u>	<u>Principal \$</u>	<u>Interest \$</u>	<u>Total \$</u>
2008	4.50	250,000	167,588	417,588
2009	3.75	275,000	127,475	402,475
2010	3.75	280,000	117,162	397,162
2011	3.75	295,000	106,663	401,663
2012	4.00	300,000	95,600	395,600
2013	4.00	315,000	83,600	398,600
2014	4.00	325,000	71,000	396,000
2015	4.00	340,000	58,000	398,000
2016	4.00	355,000	44,400	399,400
2017	4.00	370,000	30,200	400,200
2018	4.00	<u>385,000</u>	<u>15,400</u>	<u>400,400</u>
Total		<u>\$3,490,000</u>	<u>917,088</u>	<u>4,407,088</u>



**(9) Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	Physical Plant and Equipment Levy	<u>\$50,000</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

## **Required Supplementary Information**

**BCLUW COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance -
				Original	Final	
	\$	\$	\$	\$	\$	\$
<b>Revenues:</b>						
Local sources	3,868,697	203,630	4,072,327	4,028,645	4,028,645	43,682
State sources	2,560,037	3,845	2,563,882	2,511,599	2,511,599	52,283
Federal sources	216,894	107,491	324,385	204,000	204,000	120,385
Total revenues	6,645,628	314,966	6,960,594	6,744,244	6,744,244	216,350
<b>Expenditures:</b>						
Instruction	3,789,341	-	3,789,341	3,650,000	4,000,000	210,659
Support services	1,805,680	-	1,805,680	2,429,207	2,600,000	794,320
Non-instructional programs	23,185	320,308	343,493	290,000	325,000	(18,493)
Other expenditures	1,259,651	-	1,259,651	618,182	618,182	(641,469)
Total expenditures	6,877,857	320,308	7,198,165	6,987,389	7,543,182	345,017
Excess (deficiency) of revenues over (under) expenditures	(232,229)	(5,342)	(237,571)	(243,145)	(798,938)	561,367
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(232,229)	(5,342)	(237,571)	(243,145)	(798,938)	561,367
Balance beginning of year	1,521,820	62,554	1,584,374	1,628,674	1,628,674	(44,300)
Balance end of year	1,289,591	57,212	1,346,803	1,385,529	829,736	517,067

See accompanying independent auditor's report.

## **BCLUW COMMUNITY SCHOOL DISTRICT**

### **Notes to Required Supplementary Information - Budgetary Reporting**

Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$555,793.

During the year ended June 30, 2007, expenditures in the non-instructional and other expenditures functions exceed the amounts budgeted. The District did not exceed the General Fund unspent authorized budget.

## Other Supplementary Information

## BCLUW COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2007

	Management	Student Activity	Public Education and Recreation Levy	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	82,719	136,899	3,770	223,388
Property tax receivable:				
Current year	1,755	-	327	2,082
Succeeding year	150,000	-	24,342	174,342
Other receivables	-	-	1,412	1,412
<b>Total assets</b>	<u>234,474</u>	<u>136,899</u>	<u>29,851</u>	<u>401,224</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	150,000	-	24,342	174,342
	<u>150,000</u>	<u>-</u>	<u>24,342</u>	<u>174,342</u>
Unreserved fund balances	84,474	136,899	5,509	226,882
	<u>84,474</u>	<u>136,899</u>	<u>5,509</u>	<u>226,882</u>
<b>Total liabilities and fund balances</b>	<u>234,474</u>	<u>136,899</u>	<u>29,851</u>	<u>401,224</u>

See accompanying independent auditor's report.

## BCLUW COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds

Year ended June 30, 2007

	Management	Student Activity	Public Education and Recreation Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	130,043	-	24,215	154,258
Other	10,870	281,884	33	292,787
Total revenues	140,913	281,884	24,248	447,045
Expenditures:				
Instruction	18,703	283,410	17,593	319,706
Support services:				
Administration services	26,978	-	-	26,978
Plant operation and maintenance	40,708	-	7,736	48,444
Student transportation	22,115	-	-	22,115
Non-instructional programs:				
Food service operations	5,828	-	-	5,828
Other expenditures:				
Facility acquisition and construction services	-	-	-	-
Total expenditures	114,332	283,410	25,329	423,071
Excess (deficiency) of revenues over (under) expenditures	26,581	(1,526)	(1,081)	23,974
Fund balances beginning of year	57,893	138,425	6,590	202,908
Fund balances end of year	84,474	136,899	5,509	226,882

See accompanying independent auditor's report.

## BCLUW COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Drama/Thespians	7,769	2,069	1,727	8,111
Speech	230	35	265	-
Vocal Music	3,508	1,482	3,853	1,137
Band	20	2,181	1,930	271
Middle School Instrumental	33	1,190	1,223	-
Class of 2009	5	11,488	9,498	1,995
HS Mathletes	248	1,718	1,331	635
Athletic	6,604	93,134	82,606	17,132
Talented and Gifted MS	1,000	5,795	3,684	3,111
Cheerleaders	1,069	5,208	4,925	1,352
MS Theme Day	36	979	1,015	-
Class of 2007	4,565	6	4,571	-
Middle School Vocal Music	903	891	1,074	720
Class of 2010	-	190	100	90
Elementary Activities	15,908	3,746	1,232	18,422
Parent/Educator Partnership	671	27,346	26,562	1,455
Chess Club	282	-	(1)	283
FCCLA	1,277	1,158	473	1,962
Foreign Students	640	-	(1)	641
Technology Club	(248)	248	-	-
Comet Café	2,969	2,385	2,826	2,528
Library Club	837	7,832	8,401	268
Electrathon	4	-	-	4
Interest	11,877	2,227	1,008	13,096
Letterwinners	9,265	1,548	8,646	2,167
Little League	1,133	4,579	4,934	778
National Art Honor Society	300	-	-	300
MS Athletic	12,708	16,002	13,180	15,530
Class of 2008	3,993	17,773	19,279	2,487
MS Conflict Managers	121	-	-	121
National Honor Society	1,705	888	776	1,817
Padlock	561	328	398	491
Student Council	2,345	3,107	2,451	3,001
Summer Concessions	13,849	31,734	38,222	7,361
High School Activities	7,134	1,123	966	7,291
Yearbook 2006	13,932	5,070	19,002	-
2007 Yearbook	-	21,598	8,833	12,765
STOPP	51	-	-	51
MS Activities	11,121	6,826	8,421	9,526
Total	138,425	281,884	283,410	136,899

See accompanying independent auditor's report.



## BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,072,460	2,941,371	2,945,727	2,806,819
Tuition	327,063	260,390	321,512	287,034
Other	469,174	553,728	544,805	797,781
State sources	2,560,037	2,367,946	2,369,727	2,180,190
Federal sources	216,894	116,345	119,713	131,944
Total	<u>6,645,628</u>	<u>6,239,780</u>	<u>6,301,484</u>	<u>6,203,768</u>
Expenditures:				
Instruction	3,789,341	3,578,529	3,350,907	3,307,690
Support services:				
Student services	84,866	83,931	130,615	76,351
Instructional staff	193,510	182,949	190,780	163,751
Administration	683,912	659,495	638,098	600,092
Operation and maintenance of plant	505,318	530,856	501,264	450,808
Transportation	338,074	325,388	303,943	270,448
Non-instructional programs				
Food service operations	5,828	5,380	681	200
Community service operations	17,357	1,982	-	-
Other expenditures:				
Facilities acquisition	651,064	367,709	362,559	292,055
Debt service:				
Principal	235,000	225,000	215,000	200,000
Interest and services	179,145	207,324	199,801	210,550
AEA flowthrough	194,442	180,550	181,168	182,058
Total	<u>6,877,857</u>	<u>6,349,093</u>	<u>6,074,816</u>	<u>5,754,003</u>

See accompanying independent auditor's report.

# BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

**Member:**

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**Services:**

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

**Plus:**

- Over 25 years of Expertise and Experience
- Evenings & Saturdays Available
- Extended Hours During Tax Season

To the Board of Education of the  
BCLUW Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of BCLUW Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 10, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered BCLUW Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of BCLUW Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of BCLUW Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects BCLUW Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of BCLUW Community School District's financial statements that is more than inconsequential will not be prevented or detected by BCLUW Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-I-A is a material weakness.

#### Compliance and Other Matters

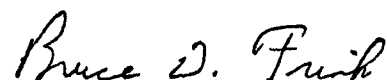
As part of obtaining reasonable assurance about whether BCLUW Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted no instances of non-compliance or other matters to be described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

BCLUW Community School District's response to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit BCLUW Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of BCLUW Community School District and other parties to whom BCLUW Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of BCLUW Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

January 10, 2008

**BCLUW COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2007

**Part I: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

07-I-A      SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

**Part II: Other Findings Related to Required Statutory Reporting:**

07-II-A      Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2007.

07-II-B      Certified Budget - Expenditures for the year ended June 30, 2007, exceeded the amended certified budget amounts in the non-instructional and other expenditures functions

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

07-II-C      Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

07-II-D      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued):**

- 07-II-E      Business Transactions - No business transactions between the District and District officials or employees.
- 07-II-F      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 07-II-G      Board Minutes - We noted no transactions requiring Board approval, which had not been approved by the Board.
- 07-II-H      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 07-II-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 07-II-J      Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.